

**CITY OF COOS BAY CITY COUNCIL**  
**Agenda Staff Report**

<b>MEETING DATE</b> June 4, 2013	<b>AGENDA ITEM NUMBER</b>
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**TO:** Mayor Shoji and City Council

**FROM:** Jim Hossley, Public Works and Development Director   
**Through:** Rodger Craddock, City Manager

**ISSUE:** Presentation on an Exemption from the Invitation to Bid Requirements and Use of the Contract Manager/General Contractor (CM/GC) Method of Procurement for constructing the Wastewater Treatment Plant #2 Project

**BACKGROUND:**

Since the early 1980's, the Construction Manager/General Contractor (CM/GC) project delivery method has been utilized to successfully deliver construction projects in the State of Oregon. Public agencies that have traditionally employed the design-bid-build method, (DBB) of project delivery increasingly select CM/GC. CM/GC offers opportunities for success that are not necessarily available through traditional contracting methods, (DBB). Because of the complexity, limited funds, public impact and a strict timeline to complete the proposed Wastewater Treatment Plant 2 project, city staff recommends using a Construction Manager/General Contractor (CM/GC) approach to the project. Staff will give a short PowerPoint presentation on the method.

**ADVANTAGES:**

Utilization of the CM/GC contract delivery process will allow the City to deliver the most comprehensive project for the allotted funding. Another public benefit is more expeditious completion of the project. The CM/GC process provides for better collaboration to ensure the Project will be completed on time, on budget and at or above the quality described in the construction documents. It provides better opportunities for reducing construction time by fast tracking construction where beneficial.

**DISADVANTAGES:**

None

**BUDGET:**

Staff is currently working with the design team of SHN and CH2M HILL. It is anticipated that pre-design efforts will be complete in August 2013. Upon completion of pre-design efforts Staff is planning to conduct a Value Engineering review. At that time, if the project is going to use a CM/GC delivery method, staff will select a CM/GC contractor based on qualifications through a proposal process similar to how engineering services are procured. The CM/GC contractor will work collaboratively with the engineer and the City under a professional services contract during the Value Engineering phase and the beginning of the final design period. Once the final design progresses far enough to negotiate a cost of construction, the CMGC contract converts to a construction contract (which can be reimbursable instead of Lump Sum). Staff is currently working with Oregon Infrastructure Finance Authority to fund the professional services contract

for the CM/GC contractor. Ultimately staff is working on an application for a loan administered by DEQ's State Revolving Fund to fund the construction of the plant including the CM/GC services.

**RECOMMENDATION:**

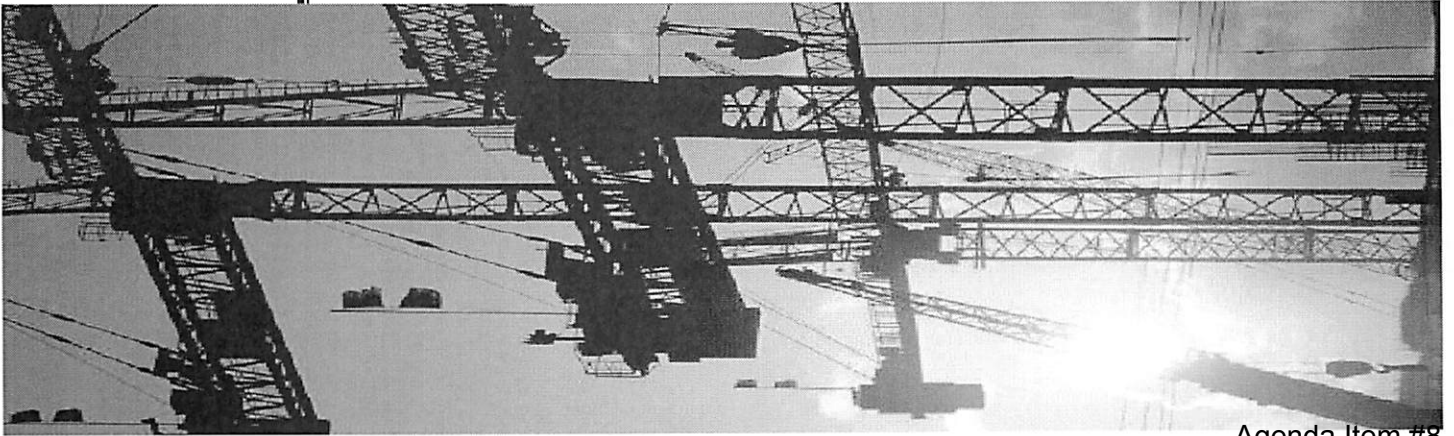
No action is required at this time. Should Council agree to move forward with the CM/GC contracting method, staff has scheduled a public hearing on the proposed use of the CM/GC project delivery method for the July 2, 2013 Council meeting.

**ATTACHMENTS:**

Presentation Slides

**Presentation of Alternative  
Contracting Method  
Construction Manager / General  
Contractor (CM/GC)  
-Vs-  
Traditional Design-Bid-Build (DBB)**

**Presentation By  
Public Works and Development Department  
June 4, 2013**

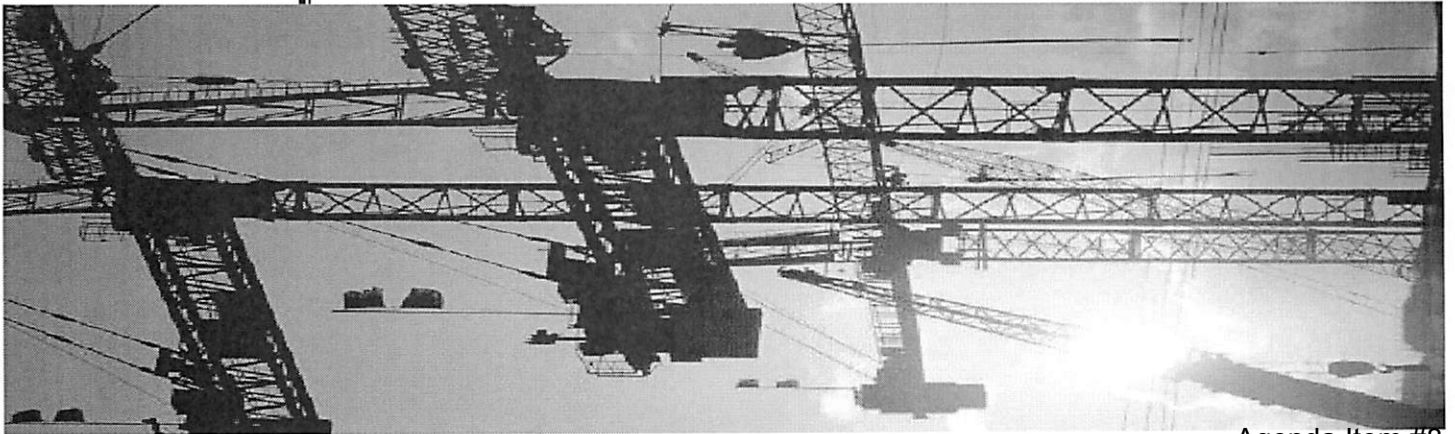


# Background

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- Since the early 1980's - The Construction Manager/General Contractor (CM/GC) project delivery method (Alternative Method) has been utilized to successfully deliver construction projects in the State of Oregon.
  
- Overview
  - How does industry research compare CM/GC to Design-Bid-Build (DBB)?
  - Who is using CM/GC?
  - Are performance indicators and benchmarks available to compare DBB and CM/GC?
  - What is Oregon's experience with CM/GC?

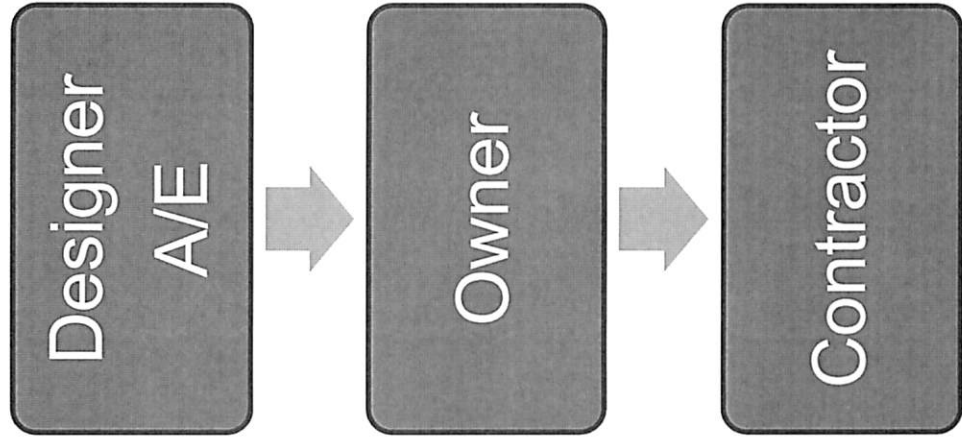


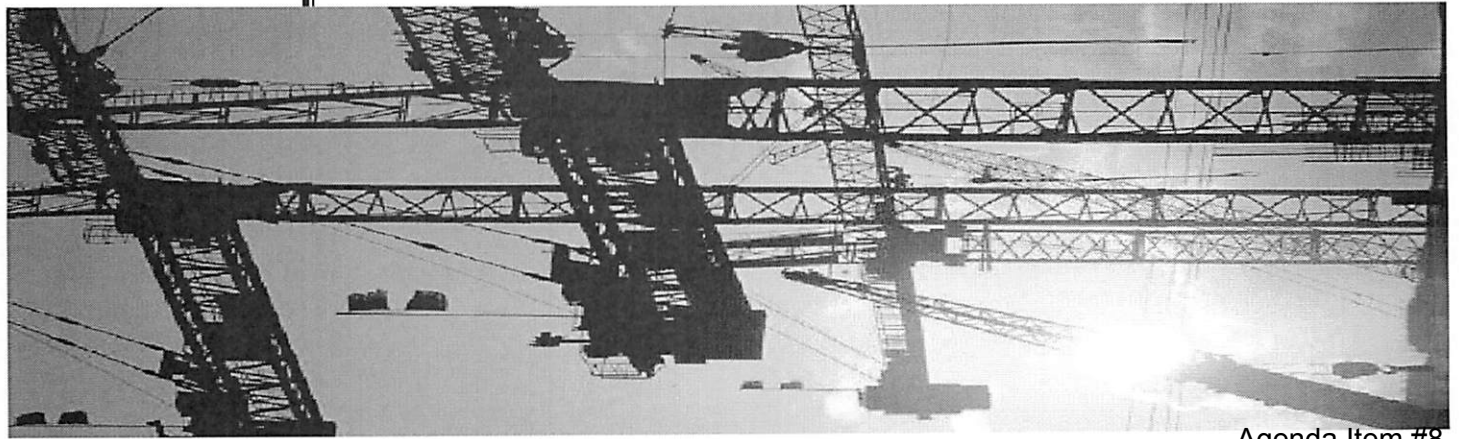
# Comparison of Project Structures

## Design-Bid-Build (DBB)

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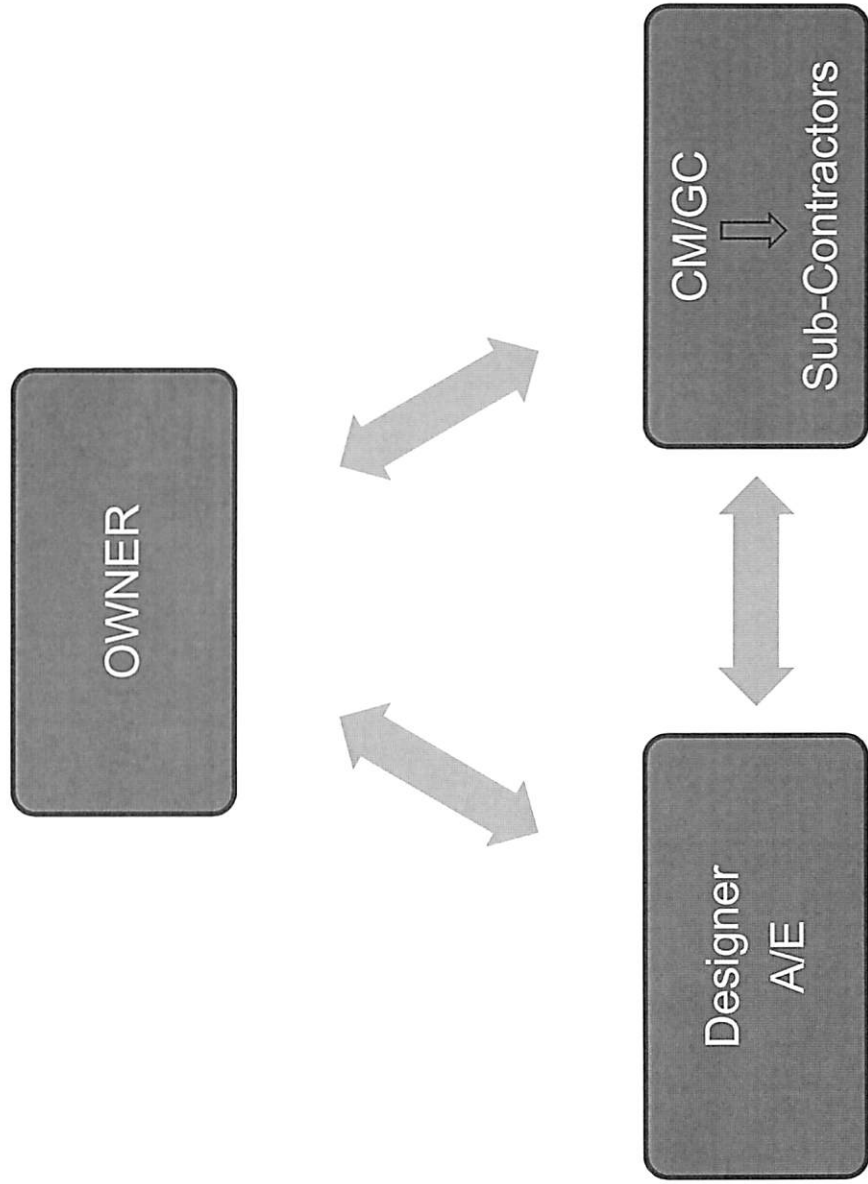




# Comparison of Project Structures Construction Manager / General Contractor (CM/GC)

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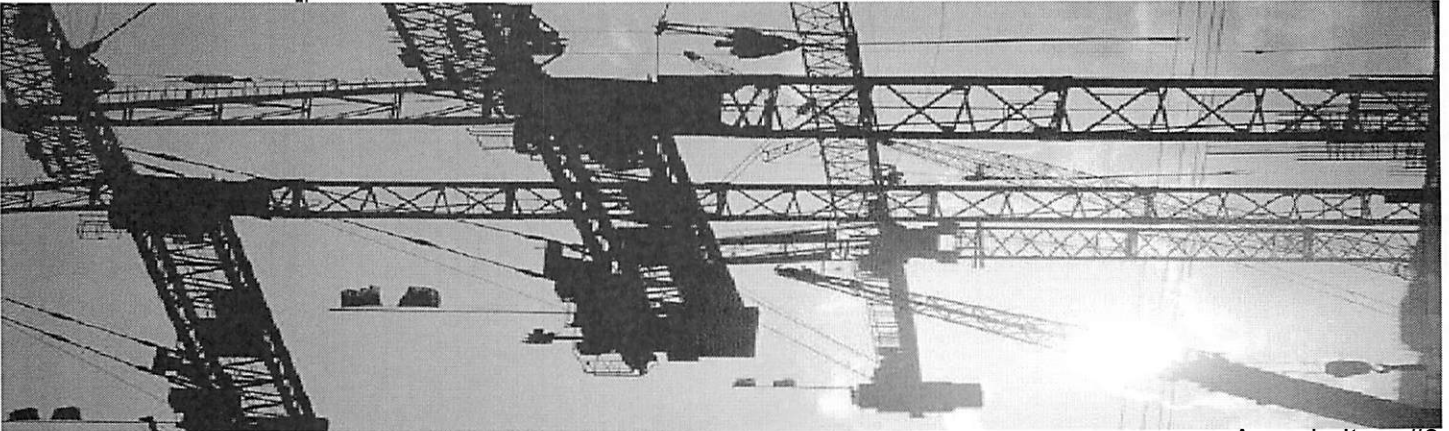


# What is CM/GC?

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- Early in the design phase owner competitively selects through an RFP a contractor to provide construction management and general contracting services.
- CM/GC augments the traditional duties of the general contractor with a construction manager under a single contract with the owner.
- During design the CM/GC firm collaborates with the architect/ engineer on the development of the design and preparation of the design documents.



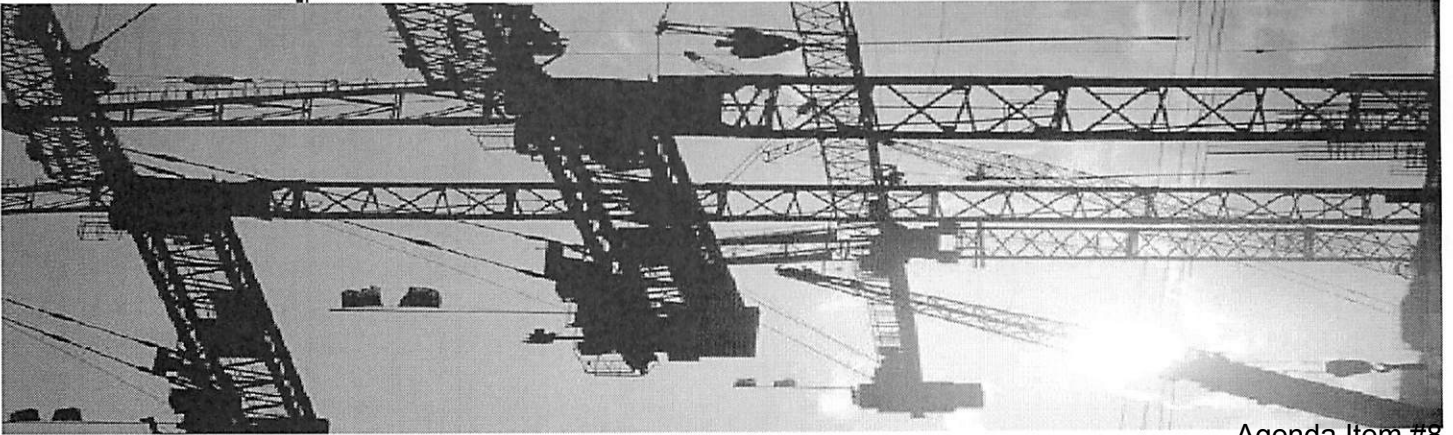


# What is CM/GC?

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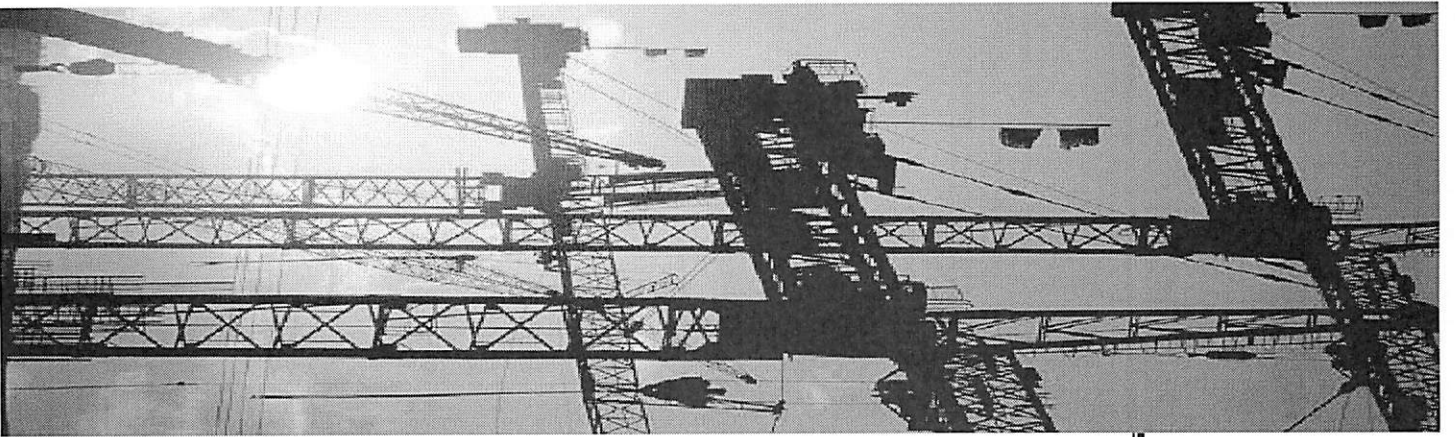
- When design reaches acceptable level, the CM/GC firm submits a guaranteed maximum price (GMP) for the project to the owner.
- After agreement on a GMP is reached, the CM/GC firm undertakes the construction of the facility.
- The CM/GC firm procures subcontracts with trade contractors using multiple bid packages to construct the project, and manages the construction process on behalf of the owner.



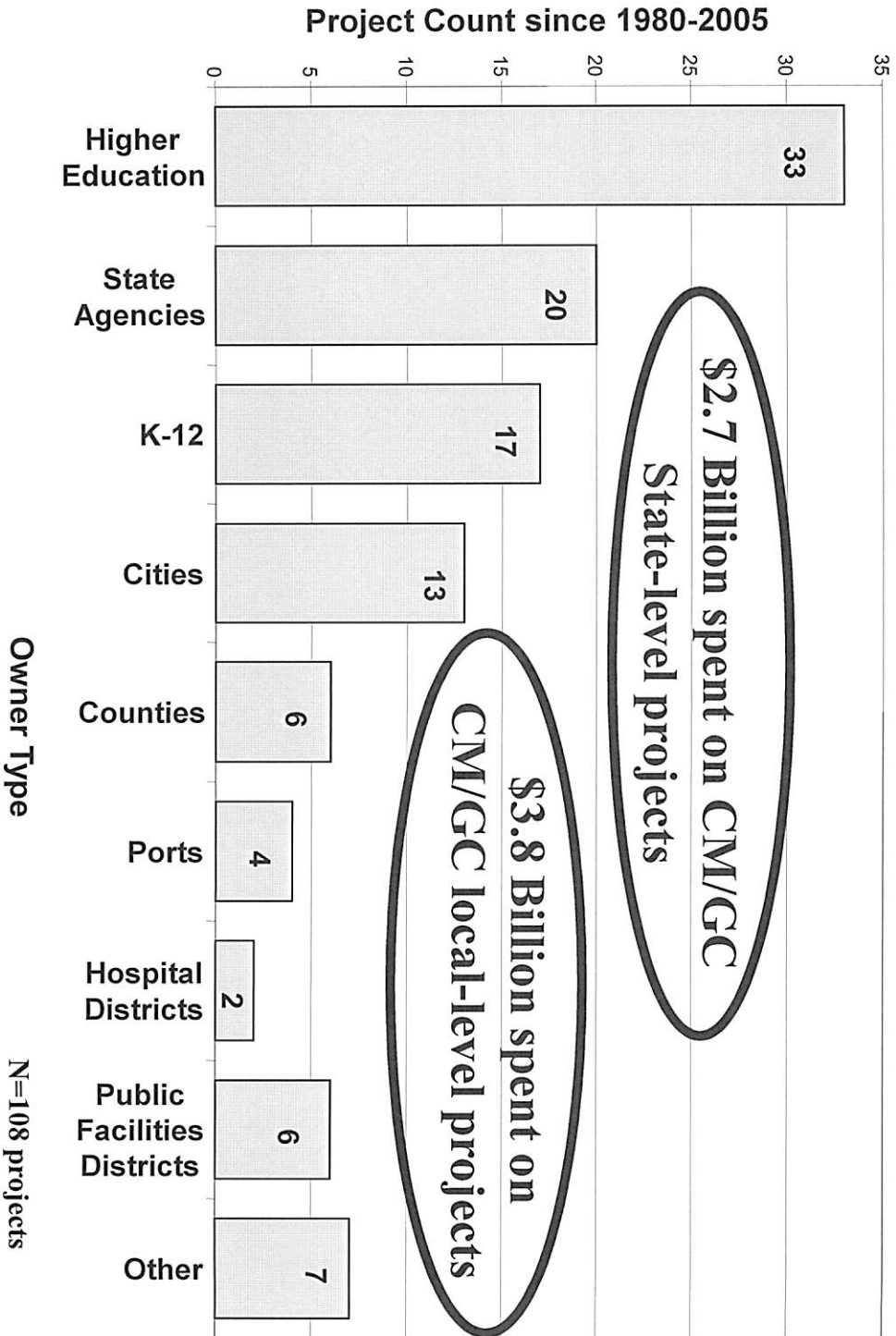


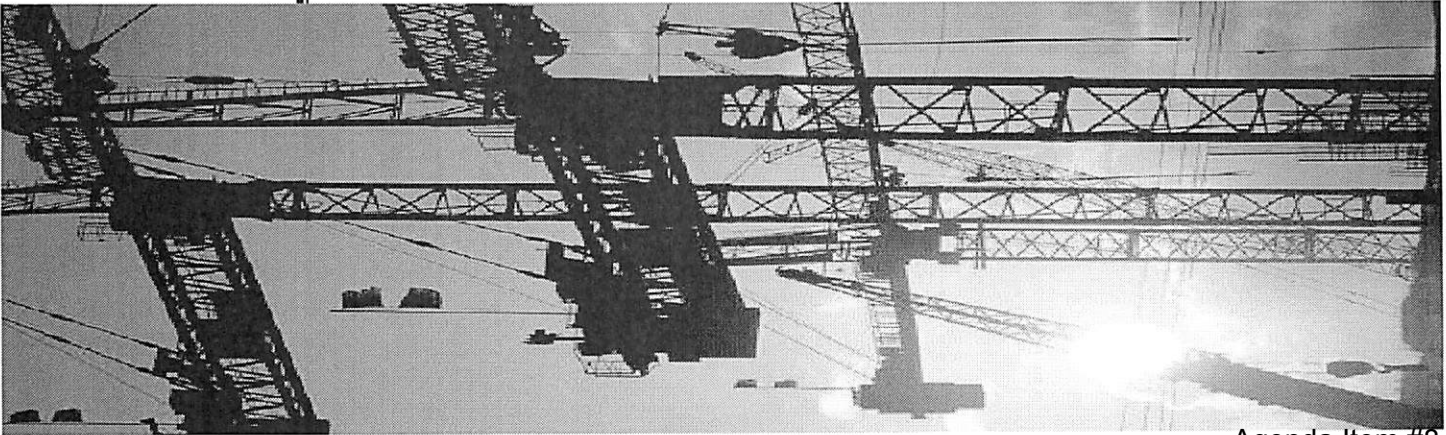
# How Does Industry Research Compare Design-Bid-Build to CM/GC?

	Traditional Design-Bid-Build	Alternative CM/GC
<b>Schedule</b>	Best suited if reasonable, not a critical factor	Best suited if aggressive, fast-tracking possible
<b>Compensation</b>	Fixed price, low bid contracting	Negotiated maximum guaranteed price
<b>Team Relationship</b>	Adversarial	Collaborative
<b>Project Complexity</b>	Low-moderate	High
<b>Experience Required</b>	Moderate	High degree of experience required of all participants
<b>Risk</b>	Primarily owner	CM/GC
<b>Project Cost</b>	Average design and management costs, always HIGH potential for change orders	Slight higher design costs, significant reduction in change orders
<b>Project Quality</b>	Standard quality expected	High quality expected



# Who is using CM/GC?





# Are performance indicators and benchmarks available to compare?

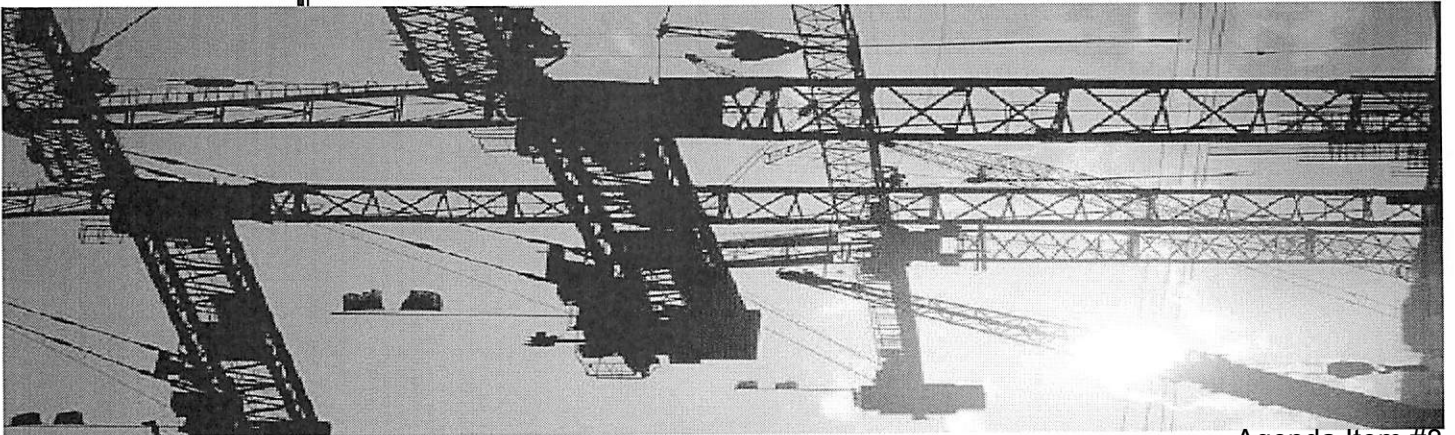
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- The state does not currently collect consistent reliable state and local-level data to analyze project performance
  - Cost-per-square-foot
  - Cost Growth
  - Time Growth
  - Quality
  - Change Orders
  - Contacted State Contractor Board (Positive review of the use CM/GC)
  - State of Oregon has been utilizing alternative contracting method since 1980

# What is Oregon's Experience with CM/GC?

<b>CM/GC Characteristics</b>	<b>Oregon</b>
<b>Aggressive Schedule</b>	<b>Present</b>
<b>Negotiated Guaranteed Maximum Price</b>	<b>Present</b>
<b>Collaborative Team Relationship</b>	<b>Present</b>
<b>High Project Complexity</b>	<b>Present</b>
<b>High Degree of Experience Required</b>	<b>Present</b>
<b>Risk</b>	<b>CM/GC</b>
<b>Higher Initial Project Costs</b>	<b>Inconclusive</b>
<b>Increased Project Quality</b>	<b>Present</b>

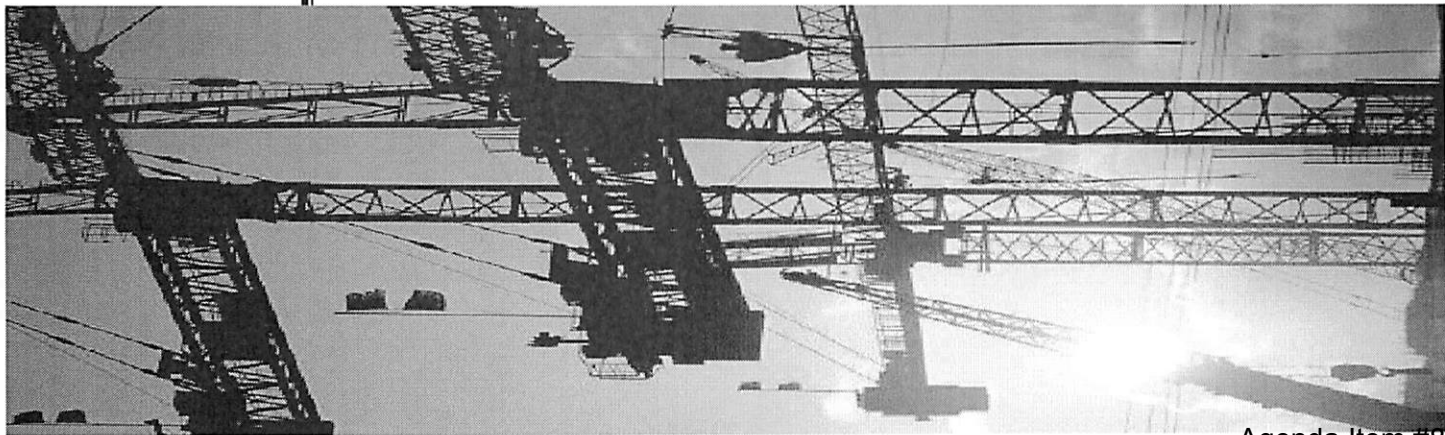


# CM/GC Benefits

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- Value Engineering
- Public Impact
- Specialized Expertise Required
- Continued Operations Needed
- Technical Complexity
- Funding Source Deadlines



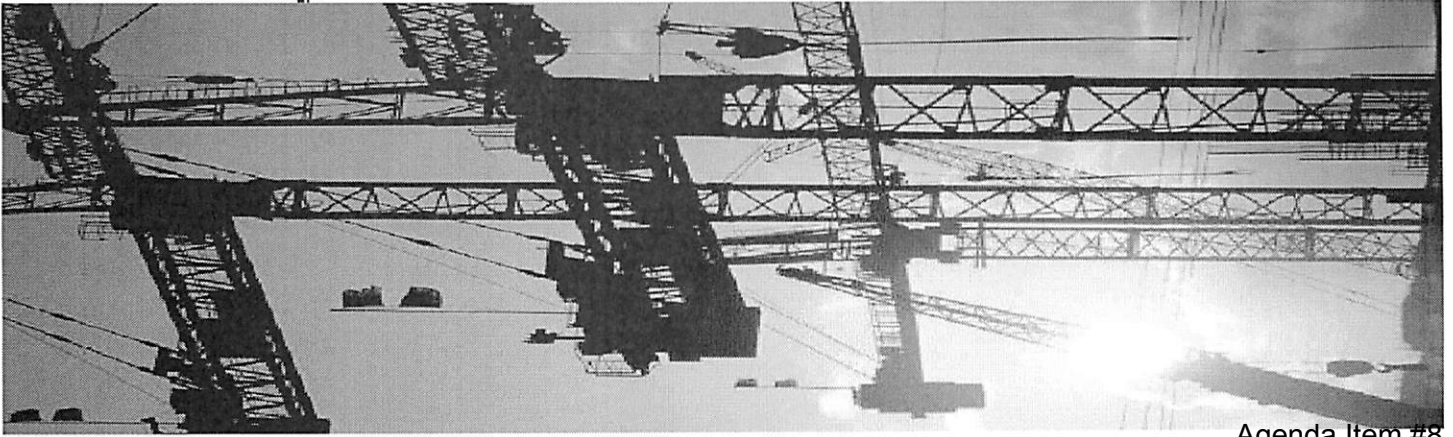


## CM/GC Benefits to WWTP 2

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- The CMGC contractor will have an opportunity to provide value engineering
- CMGC contractor will bring specialized expertise with respect to wastewater that will assist with:
  - Keeping plant online & in compliance with permit during construction
  - Ensuring public safety and health
  - Close coordination with Plant operators
- CMGC will assist with keeping project on track and meeting MAO deadlines<sup>11</sup>





# CM/GC delivery method (Pros and Cons)

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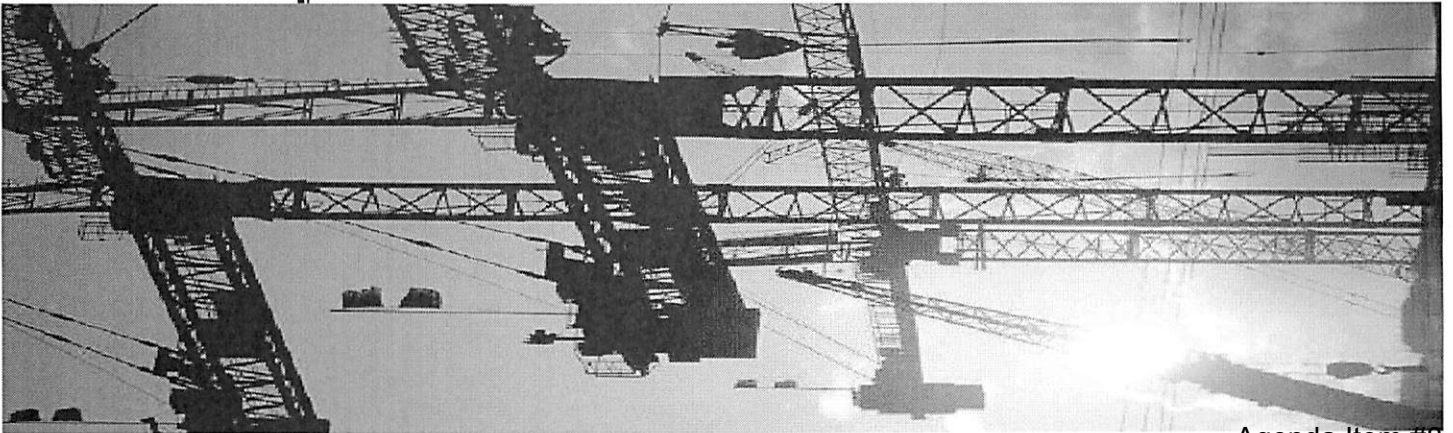
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## *Advantages*

- Allows selection based on qualifications
- Allows increased collaboration between engineer and contractor
- Allows for a less adversarial project team relationship

## *Disadvantages*

- Reduces price competition
- No price knowledge prior to hiring contractor
- Requires declaration by governing body
- Early supporting reasons may not pan out

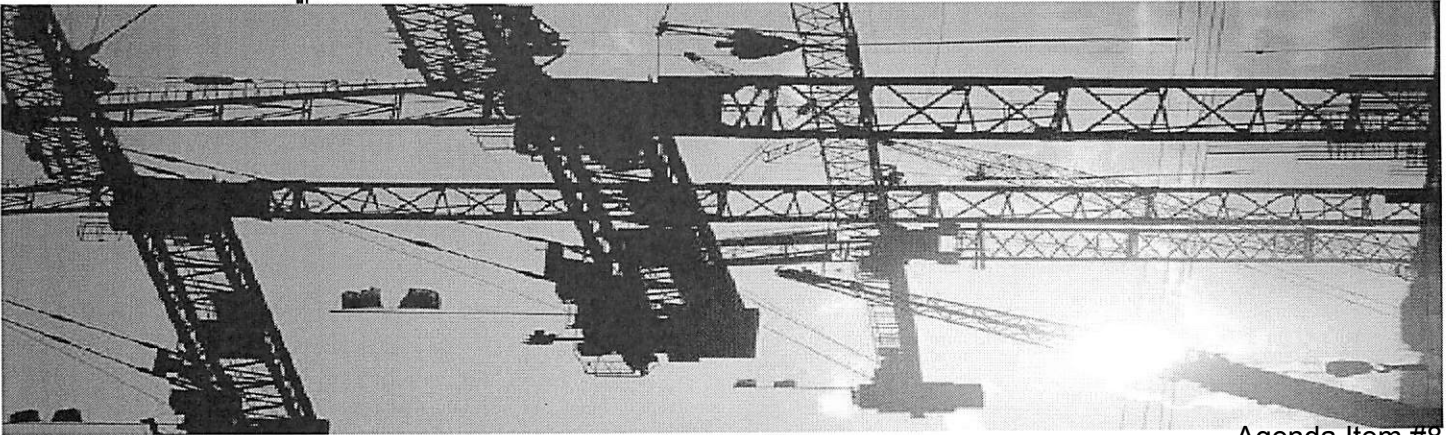


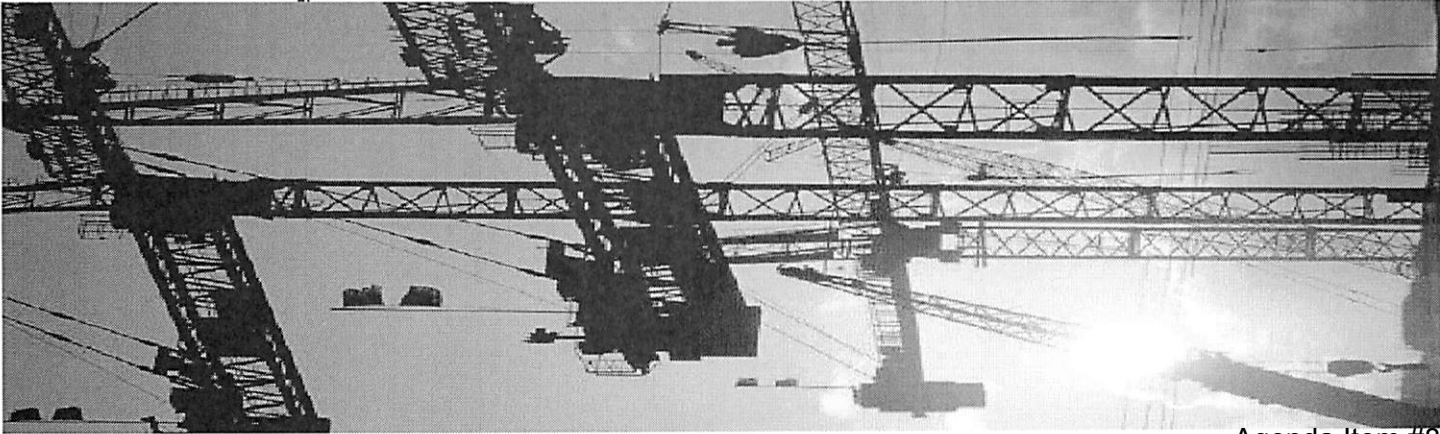
# Other Possible CM/GC Advantages

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- Cost savings and cost guarantee
- Opportunity to select a qualified CM/GC firm versus risks associated with awarding project to any bondable low bidder
- Higher confidence in obtaining qualified construction contractor and manager
- Accurate cost data for project decisions
- Reduction of schedule risk typically associated with complex construction projects
- Greatest assurance of project completion by established funding deadlines





# Other Possible CM/GC

## Disadvantages or Conflict Points

(the reason we hire based on qualifications)

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- Variance between Engineer's estimate and CM/GC's estimate
  - Good probability of this happening and could be significant magnitude of variance
  - Can be a show stopper
  
- Lack of teamwork between engineer and CM/GC
  - Contractors are not used to collaborating with engineers.
  - Contractors are not used to developing estimates for incomplete designs

# Other Possible CM/GC

## Disadvantages or Conflict Points

(the reason we hire based on qualifications)

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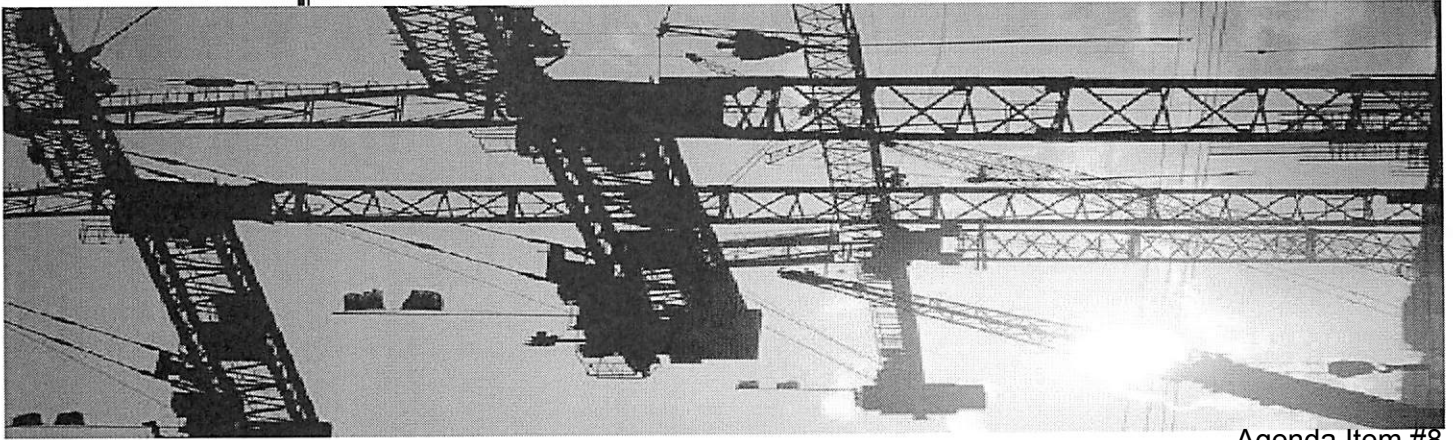
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➤ Negotiation of pre-construction phase services contract

- Contractors are not generally experienced in professional services contracts, negotiation of terms and conditions of the professional services contract will be different than with consultants.

➤ Negotiation of construction phase services contract

- Generally price is the greatest hurdle, but terms and conditions of the construction contract (usually being a reimbursable payment form of contract) will be different than typical D-B-B contracts.





# Legal Requirements

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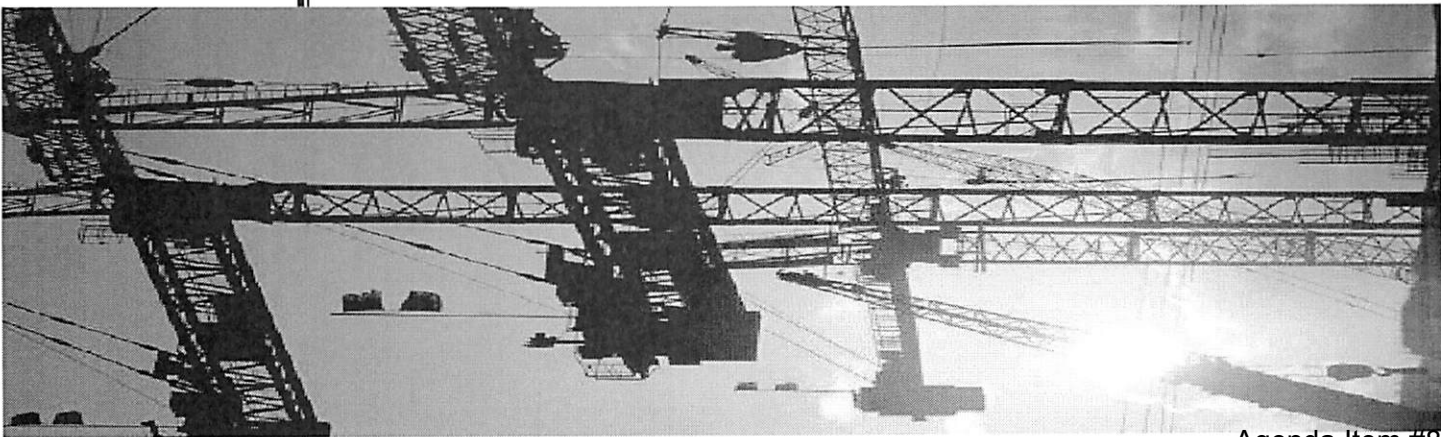
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## City of Coos Bay Resolution 08-02, Section 10

### Section 10. Request for Proposal.

a) The Board may exempt any public contract or class of contracts from competitive bidding requirements. Solicitation for any public contract or class of contracts through the **RFP process shall be undertaken only after findings have been made:**

- (1) The lack of bids are unlikely to result in favoritism or to diminish substantially competition for the contract; and
- (2) The exemption will result in substantial cost savings. In making such findings the Board may consider the type, cost, amount of the contract, number of persons available to bid, and such other factors as the board may deem appropriate; and



# Legal Requirements

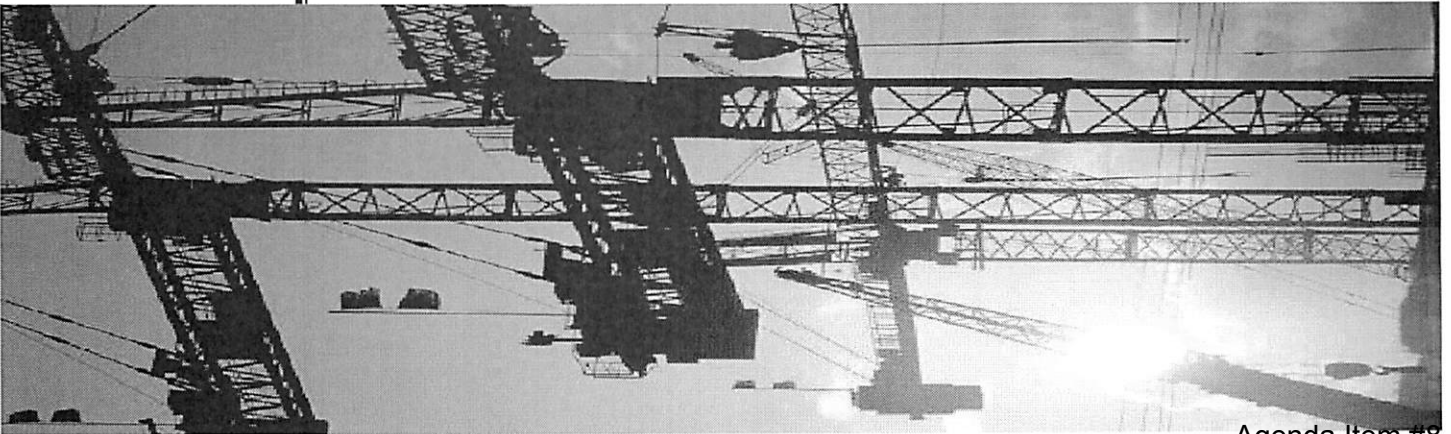
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City of Coos Bay Resolution 08-02, Section 10 - Continued

## **Section 10. Request for Proposal.**

(b) Public Hearing. Prior to making the findings supporting the exemption of a particular public contract or class of contracts, the Board shall hold a public hearing, where interested parties shall be afforded an opportunity to appear and present testimony. Notice of the hearing shall be published not less than 14 days prior to the hearing in one trade newspaper of general circulation in the state. The notice shall state that the purpose of the public hearing is to take comments on the Board's draft findings for exemption, and that copies of the draft findings are available, upon request, from the Director.



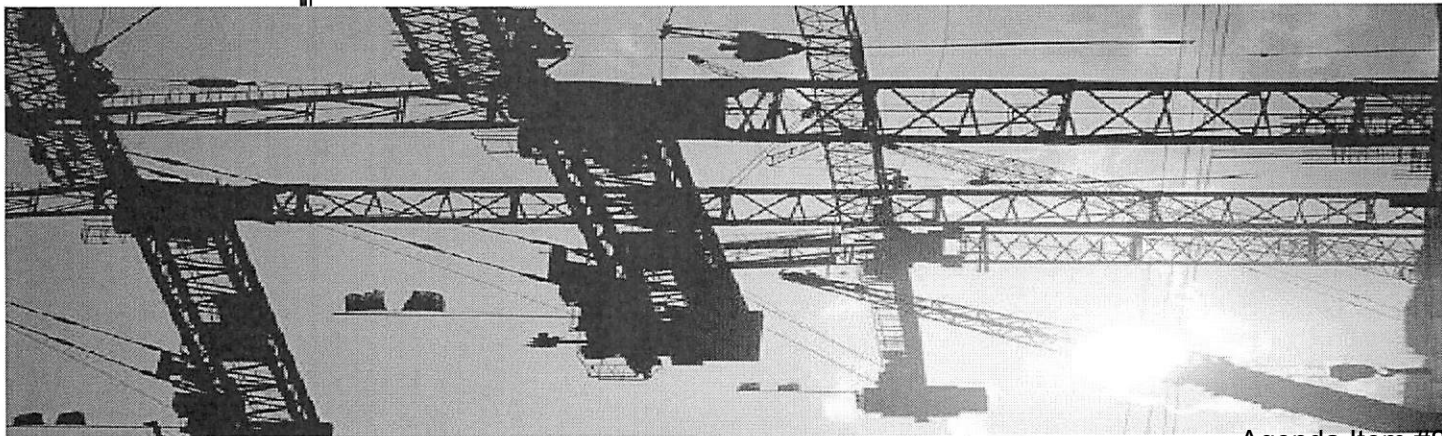


# Process

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- The CM/GC contractor will be selected through an open and competitive process as prescribed by City of Coos Bay Resolution 08-02. The CM/GC is selected, amongst other criterion, based on the quality of their proposal and qualifications
- An exemption from competitive bidding will allow the City to take advantages of specialized general contractors knowledgeable in the rehabilitation of existing structures and value engineering the project during the design phase. This will allow the City to be provided with the best value and potentially eliminate costly change orders resulting from unknowns in the field.
- The subcontractors for each trade will be selected based on a competitive low bid bases only through CM/GC.



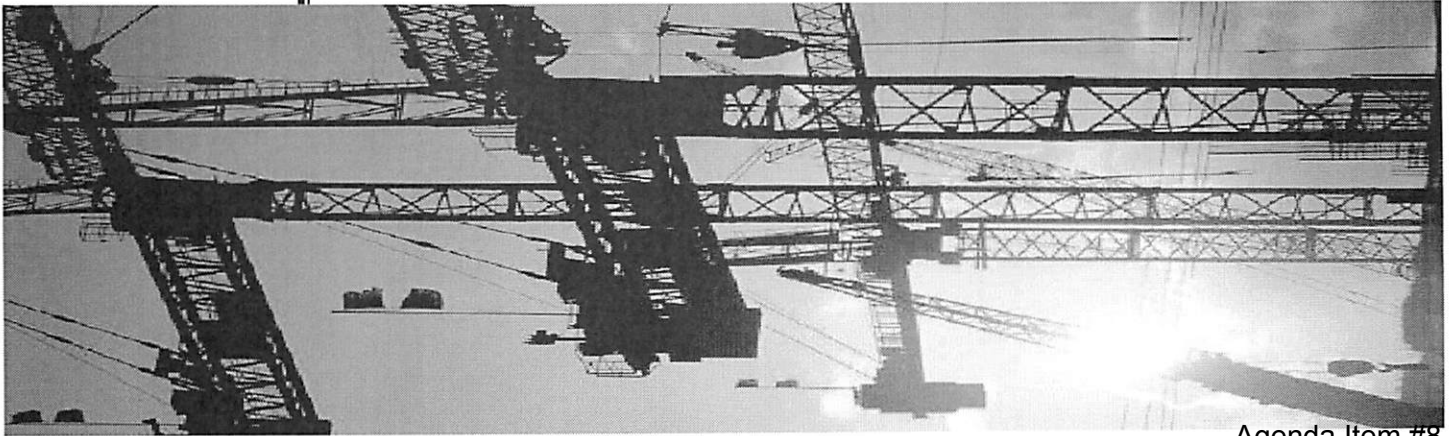
# What's Next?

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Should the City Council Concur with the CM/GC contracting method, staff will:

- Prepare draft findings
- Schedule a public hearing for July 2<sup>nd</sup>
- Prepare and advertise a public hearing pursuant to City of Coos Bay Resolution 08-02



# Questions?

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# Thank you.

